

Franchising – Croatia 2005

(by Damjan Bencic, U.S. Embassy Zagreb, Croatia)

Introduction

Although it has been almost ten years since [McDonald's](#) opened its first restaurant in Croatia, franchising is yet to become well-known and widely used business concept in this country. Most Croatian entrepreneurs are not yet aware of it, do not recognize the value that a franchisor is providing in exchange for the initial fee and royalties, or are unable to meet the high financial and other criteria imposed by some foreign franchisors. However, the increased interest for the third consecutive annual [Franchise Industry Fair](#) held in Zagreb, Croatia's capital, in May 2005, indicated that a growing number of franchisors are eager to enter the market and are committed to find a way to explore the abundant opportunities that it offers.



Market Overview

[Croatia](#) is a Central and East European country, with population of 4.5 million and \$7,378 GDP per capita in 2004. Although the average living standard of Croats still has a way to go to catch up with the one of the citizens of the developed West-European countries, lifestyle and cultural patterns are similar. Thus, the franchises that have been working well in the Western Europe are likely to be successful in Croatia too.

[Croatian Franchise Industry Association](#) (established in 2002) estimates that there are about 120 franchisors operating in Croatia, of which about 30 are domestic. Most of their facilities are located in Zagreb, which represents almost a quarter of the population and the half of the economy. However, with the tourism sector rapidly picking up, importance of the cities along the coast will undoubtedly increase. There were almost 8 million of international tourist visitors to Croatia in 2004 (almost double the population!), but each spending on average only 49 Euros a day (including accommodation!). Most tourists come from Germany, Italy, Slovenia, Czech Republic, and Austria, while in the fastest growing numbers are coming tourists from France, United Kingdom, Sweden, Denmark and Switzerland. The tourist season is still limited to summer period, mostly



due to the lack of recreational and entertainment possibilities. Growth potential for franchises related to the tourism sector is enormous.

Most Well Known Foreign Franchisors in Croatia		
McDonald's	Fast food (16 restaurants)	www.mcdonalds.hr
Subway	Fast food (6 restaurants)	www.subway.com
Fornetti	Bakery	www.fornetti.com
Damaservice	Refilling toner cartridges	www.damaservice.it
Berlitz	Language training courses	www.berlitz.hr
Figurella	Weight loss center for women	www.figurella.hr
American Express (and other major credit cards)	Credit cards	www.americanexpress.hr
FedEx (and some other courier service companies)	Courier service	www.fedex.com/hr
Palmer's (and a number of other well known fashion clothes distribution chains)	Fashion clothes	www.palmers.at
Hertz (and other major rent-a-car companies)	Car rental	www.hertz.hr

Most Well Known Domestic Franchisors in Croatia		
Body Creator	Weight loss center for women (4 salons)	www.bodycreator.com
Rubelj Grill	Grill (17 restaurants)	www.rubelj-grill.hr
Srdela Snack	(5 restaurants) www.kali.hr/eng/tourism/srdela_snack.asp	
X-Nation	Fashion clothes (40 stores/corners)	www.xnation.hr
Skandal	Fashion clothes (15 stores)	www.skandal.biz
HG Spot	IT Equipment and Supplies	www.hgspot.hr
Bio&Bio	Health food (3 shops)	www.biovega.hr
Bike Express	Courier service	www.bike-express.hr
Elektromaterijal	Household appliances distribution (over 50 stores)	www.elektromaterijal.hr

Market Access

☞ There are no franchise-specific legislative provisions in Croatia. The Croatian [legislative system](#) is already much in conformity with the European Union requirements, and Croatia continues to adjust it in its aspirations to join the Union (accession negotiations are expected to begin soon). In May 2005, the government has launched a [one-stop-shop](#) to facilitate and speed-up the process of establishing a company.

☞ Croatia has a modern [banking system](#) (of which 90% is owned by foreign banks) and financing is readily available to Croatian entrepreneurs. However, there are some complaints that bankers do not yet have sufficient understanding of the specific needs of the franchise industry. According to the Croatian Franchise Industry Association, most Croatian entrepreneurs would not be able to invest more than 50,000 Euros into a franchise business.

☞ The following institutions/companies can provide valuable assistance and expert advice to U.S. franchisors seeking potential franchisees in Croatia:

- [Croatian Franchise Industry Association](#) – organizer of the Franchise Industry Fair and Workshop held annually in Zagreb. The event is still at its pioneer stage (three years of tradition), attracting about 20 exhibitors and about a thousand visitors on average. However, participating at this event, both as an exhibitor and as a speaker at the workshop, could be an excellent introduction to the market.
- [Pro Maturo](#) – a business consulting company specialized for franchise industry. Its owner is the founder and the president of the Croatian Franchise Industry Association, as well as the owner of a successful Croatian franchise chain [Body Creator](#).
- [The Franchise Center Osijek](#) – a small business development center located in the eastern continental part of Croatia and specialized for promotion of franchise industry in that region. The Center is a franchisee of [The Franchise Center of the University of El Paso, Texas](#) and, twice a year, it organizes seminar “Franchising from A to Z” for potential Croatian franchisors and franchisees. Speaking at these seminars could be a great promotional tool.
- [Franchise Croatia Forum](#) – a virtual franchise industry fair, founded and operated by a Croatian entrepreneur who used to live in Australia.

Web Resources

- Croatian Franchise Industry Association: www.fip.com.hr
- Pro maturo (franchise consultants): www.promaturo.hr
- The Franchise Center Osijek (regional development): www.poduzetnistvo.org/cfo
- Franchise Croatia Forum (online fair): www.fransizahrvatska.com
- Organizacija poslovanja Kovac (market research/business consulting): www.opk.hr
- Gallup organizacija Zagreb (market research): www.gallup.com
- BBDO (advertising agency): www.bbdo.hr

- McCann-Erickson Croatia (advertising agency): www.mccann.hr
- PricewaterhouseCoopers: (tax consultants/accountants): www.pwc.com/hr
- KPMG (tax consultants/accountants): www.kpmg.hr
- Ernst & Young (tax consultants/accountants): www.ey.com/hr
- Deloitte & Touche (tax consultants/accountants): www.deloitte.com
- American Chamber of Commerce in Croatia: www.amcham.hr
- Croatian Chamber of Commerce: www.hgk.hr
- Croatia Home Page (click on Business & Economy): www.hr
- Croatiabiz (business directory): www.croatiabiz.com
- Zavod za poslovna istraživanja (business directory): www.zapi.hr
- Kompas (business directory): www.kompass.com.hr
- Statistical Bureau: www.dzs.hr
- Official Gazette: www.nn.hr

Key Contacts

To identify the right people and the right issues to bring up with them often requires business intelligence that can only be provided by someone on the field. The Commercial Service staff at the U.S. Embassy in Zagreb (the U.S. Government's key export-promotion agency) will be happy to meet with you to discuss your market entry strategy, provide you with additional market information and contacts, arrange your in-country appointments, or organize a promotional event for your company. Please visit our website at www.buyusa.gov/croatia/en to review our service offerings that we provide to U.S. exporters on a cost-recovery basis. For example, we could tailor our [Single Company Promotion](#) service to assist you with finding potential franchisees by placing appropriate advertisements in the right newspapers and magazines, and with follow up on responses. We look forward to working with you!



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